

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Placer (the County) conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

A. Reporting Entity

The County is a political subdivision of the State of California. The County's powers are exercised through an elected, five-member Board of Supervisors (the Board) that, as the governing body of the County, is responsible for the legislative and executive control of the County.

The accompanying financial statements present the activities of the County (the primary government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and i) either the County's ability to impose its will on the organization or ii) the potential for the organization to provide a financial benefit to or impose a financial burden on the County.

Blended Component Units

The County Service Areas were established for the purpose of providing specific services, such as water, sewer, lighting, and road maintenance, to distinct geographical areas within the County.

The Sewer Maintenance Districts were formed to provide sewer maintenance services within the County.

The Newcastle and Penryn Lighting Districts were formed to provide utilities services in these districts within the County.

The Redevelopment Agency of Placer County (the Redevelopment Agency) was established in 1991 pursuant to Section 33200 of the State of California Health and Safety Code. The Redevelopment Agency is broadly empowered to engage in the general economic revitalization and redevelopment of property in those areas of the project area that are determined to be in declining condition. The Redevelopment Agency is controlled by a Board of Directors who co-serve by virtue of their seats on the County Board of Supervisors.

The North Lake Tahoe Public Financing Authority was formed to provide for the financing and refinancing of land improvements, facilities and equipment for public purposes.

The Placer County Public Financing Authority (the Financing Authority) was formed through a joint exercise of powers agreement between the Redevelopment Agency and the County to facilitate the financing and refinancing of public capital facilities.

The Gold Country Settlement Funding Corporation (the Corporation) was formed to provide tobacco securitization financing to the County to fund major capital improvement projects.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The In-Home Support Services (IHSS) Public Authority (the Authority) is a separate legal entity created pursuant to the Welfare and Institutions Code Section 12302.25. The purpose of the Authority is to provide for the delivery of in-home supportive services within the County.

The Placer County Housing Authority is a separate legal entity formed to administer the Section 8 Housing Choice Voucher Program funded by the US Department of Housing and Urban Development (HUD) providing housing vouchers to assist the very low and low-income families in need of affordable housing in the County. This activity is recognized as nonmajor governmental fund.

All of the aforementioned blended component units, although legally separate entities, are considered to be part of the primary government for financial reporting purposes. These component units are included in the County's reporting entity because their boards are substantively the same as the County's or they provide services exclusively to the County and its citizenry. Additional detailed financial information for each of these entities can be obtained from the Auditor-Controller's Office at 2970 Richardson Drive, Auburn, CA 95603.

Discretely Presented Component Unit

The First 5 Placer Children and Families Commission (the Commission) was established under the provisions of the California Children and Families Act (the Act). The Commission is a public entity legally separate and apart from the County and its purpose is to develop, adopt, promote and implement early childhood development programs in the County consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of seven members, which are appointed by the County Board of Supervisors. Three members are representatives of the County's health care departments, County's social services departments and Board of Supervisors. The County Board of Supervisors may remove any Commission member at any time. Since the Commission board is not substantively the same as the County Board of Supervisors and the Commission does not provide services almost entirely to the County, but can impose their will on the Commission, the Commission is considered a discretely presented component unit of the County.

Separate financial statements for the Redevelopment Agency, the North Lake Tahoe Public Financing Authority, the Commission and the Corporation may be obtained by contacting the County. Separate financial statements for the other legally separate entities are not issued.

B. Government-wide and Fund Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific segment or function. The County includes certain indirect costs as part of the program expenses reported for various functional activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given segment or function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment or function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted. As of June 30, 2009, the County has net assets of \$106,856 that have been restricted by enabling legislation.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period, except for property taxes, which the County considers available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pollution remediation, are recorded only when payment is due. The governmental funds used to liquidate compensated absences are the General Fund, Public Safety Fund, Road Fund, Capital Improvements Fund, Placer County Housing Authority Fund, County Library Fund, Fire Control Fund and the Redevelopment Agency Housing Fund.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and, as such, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the County receives cash.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County, except those required to be accounted for in another fund.

The **Public Safety Special Revenue Fund** is used to account for the operations of Public Safety departments, including the Sheriff, Probation and District Attorney.

The **Road Special Revenue Fund** is used to account for the planning, design, construction, maintenance and administration of County roads.

The **Capital Improvements Capital Projects Fund** was established to account for resources used for countywide facility acquisition and improvement needs and is used to account for deposits from developers and mitigation fees collected by the County and incorporated cities related to new growth and development within the County.

The **Public Facilities Fees Capital Projects Fund** accounts for the collection and expenditure of fees imposed to mitigate the impacts of new development within the County. The fees provide the necessary funding for the construction, expansion or improvement of public facilities.

The County reports the following major enterprise funds:

The **Transit Fund** accounts for the costs of providing transit services throughout the County.

The **Facilities Fund** accounts for activities related to property management and building maintenance for County-owned and leased buildings and solid waste and landfill operations.

The **County Service Areas Fund** is used to account for financial resources collected in specific areas of the County which provide waste disposal services or to pay down debt incurred for public improvements.

The **Sewer Maintenance Districts Fund** accounts for water and sewer maintenance activities in specific areas of the County.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the County reports the following fund types:

The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or other governmental units on a cost reimbursement basis. Activities include the County's self-insurance programs, providing services to County-governed districts, service areas and advisory councils and equipment financing of the County.

The **Investment Trust Fund** accounts for the assets of legally separate entities that deposit cash with the County Treasurer in an investment pool, which commingles resources in an investment portfolio for the benefit of all participants. These participants include school and community college districts, other special districts governed by local boards, regional boards and authorities, and pass-through funds for tax collection for cities.

Agency Funds are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County as an agent for individuals and other government units.

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with Governmental Accounting Standards Boards (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply to its business-type activities and enterprise funds all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP). Governments have the option of following private-sector guidance issued subsequent to November 30, 1989 for its business-type activities and enterprise funds, as such the County has elected not to follow private-sector guidance subsequent to November 30, 1989.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The County pools cash and investments with the County Treasurer except for cash and investments managed by fiscal agents under bonded debt agreements. Interest from bank accounts and investments are allocated to the various funds on a monthly basis based on the average daily cash balances of the funds entitled to receive interest to the total cash and investment pool. It is the County's policy to charge interest to funds that have a negative cash balance.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, the County has stated required investments at fair value in the accompanying financial statements. Changes in the fair value of investments are reflected as investment earnings. The fair value of investments is determined on a monthly basis and is obtained from published market prices and quotations from major investment brokers for all investments having greater than 90 days to maturity. For purposes of the statement of cash flows, proprietary funds consider all short-term (three months or less) highly liquid investments, including restricted cash and investments, to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents.

The County Treasurer's Pool values participants' shares on an amortized cost basis. Specifically, the Pool distributes income to participants based on their relative participation during the period. Amortized cost was used for all investments having 90 days or less to maturity, and cost was used for collateralized Certificates of Deposit purchased from state and nationally chartered banks. However, actual daily activity is done on a dollar-to-dollar basis and only a withdrawal from the pool of a size that jeopardizes pool participants would cause the withdrawal to be done at fair value. During the fiscal year ended June 30, 2009, the County has not provided or obtained any legally binding guarantees to support the value of pool shares.

Restricted Cash and Investments

Restricted cash and investments reported in the governmental funds represent proceeds from various bond issuances that have been set aside for the repayment of principal and interest on the related outstanding debt and for capital projects, and therefore, their use is limited by the applicable debt covenants. In addition, restricted cash and investments in the governmental funds represent contractor retentions held in the County Treasury, which will be released and paid to the contractor upon the successful completion and approval of the related projects.

Restricted cash and investments of \$394 in the Facilities Enterprise Fund is restricted for the payment of postclosure care costs associated with the Eastern Regional Landfill (refer to Note 13 to the basic financial statements for additional landfill disclosures).

**COUNTY OF PLACER, CALIFORNIA
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Interfund Receivables and Payables

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) in the balance sheet of governmental funds and statement of net assets for proprietary funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances to other funds, as reported in the governmental funds balance sheet, are offset by a fund balance reserve account to indicate such amounts are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation of the government-wide presentation.

Inventories and Prepaid Items

The carrying value of inventories is determined by averaging the cost of prior purchases and new purchases, and consists primarily of expendable supplies held for consumption. The cost is recorded as an expenditure when the items are used. In the governmental funds balance sheet, there is a reservation of fund balance equal to the inventory balance as these amounts are not available for appropriation.

Payments made for services that will benefit future accounting periods are recorded as prepaid items. In the governmental fund types, there is a reservation of fund balance equal to the amount of prepaid items, since these amounts are not available for appropriation.

Notes Receivable

The notes receivable balances consist of loans made with funds provided to the County under the U.S. Department of Housing and Urban Development programs, primarily the Community Development Block Grant (CDGB) and Home Investment Partnership Program (HOME). The loans are made to carry out activities for affordable housing and economic development.

In addition, California Community Redevelopment Law requires that at least 20% of the incremental tax revenues generated from redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this requirement, the Redevelopment Agency established its 20% Housing Program to offer financial assistance to qualified developers, individuals and owner-investors by providing loans at “below market” rates.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Generally notes are either deferred or collected on a residual receipts basis with all remaining principal and interest due on the earlier of the due date of the note or sale or transfer of the property. Any repayment of principal or interest applicable to the CDBG and HOME programs is treated as program revenue, the use of which is restricted by federal regulations. As such, notes receivable are recorded with an offset to unearned revenue in the fund financial statements because the amounts are not available. A loan committee approves the loans and deferral of payments.

Capital Assets

Capital assets, which include property (e.g. land), plant (e.g. buildings and improvements), land improvements (e.g. fences and parking lots), equipment (e.g. vehicles, computers, office equipment and software) and infrastructure (e.g. roads, bridges, sewers, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capitalization thresholds are \$5 for equipment and \$50 for buildings, improvements and infrastructure.

Depreciation on capital assets and improvements is provided using the straight-line method. The estimated useful lives are as follows: infrastructure – 10 to 65 years; land improvements – 10 to 40 years; buildings and improvements – 10 to 50 years; and equipment – 2 to 25 years.

Compensated Absences

The County reports a liability for compensated absences attributable to services already rendered as of June 30, 2009, and which are not contingent on a specific event that is outside the control of the County, such as employee illness. This liability is based on the probability that the County will eventually compensate the employees for the benefits through paid time off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay rates in effect at June 30, 2009, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes.

All regular employees of the County earn paid vacations annually. The amount of vacation hours is based on the years of continuous service and the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Also, regular employees are given credit for eight hours sick leave each month of employment with unlimited accumulation. Upon termination, employees are entitled to a lump sum payment for accrued vacation and compensatory time off. Upon termination, employees are entitled to a lump sum payment for accrued vacation and compensatory time off. With respect to sick leave, all non-Deputy Sheriff's Association (DSA) employees are entitled to either a lump sum payout not to exceed \$2 or additional retirement credits from California Public Employees' Retirement System (CalPERS) based on a formula. Using different schedules for sick leave balances, DSA employees are also eligible for lump sum payouts or additional service credits, and/or they may apply for a day-for-day early retirement benefit using their sick leave balance as of July 23, 2004.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Based on prior history, the majority of County employees opt for additional retirement credits. Accordingly, the County has not recorded a liability for any accrued sick leave. All other compensated absences pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. In the fund financial statements, governmental funds bond and capital lease proceeds are reported as other financing sources. Interest is reported as an expenditure in the period in which the related payment is made.

Net Assets/Fund Balances

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets - net of related debt, restricted and unrestricted.

- ❑ *Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net asset balance.
- ❑ *Restricted* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ❑ *Unrestricted* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for a specific purpose. As of June 30, 2009, reservations of fund balance are described below:

- ❑ *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received.
- ❑ *Deposits with others* – to reflect the balances of deposits for current contractual obligations that are not available for appropriation.
- ❑ *Inventories* – to reflect that balances of inventory accounts which reflect resources already expended, but not consumed, and are not available for appropriation.
- ❑ *Prepaid items* – to reflect the balances for payments made that will benefit future periods and are not available for appropriation.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

- ❑ *Advances to other funds* – to reflect the amounts loaned to other funds that are long-term in nature and do not represent available spendable resources.
- ❑ *Imprest cash* – to reflect cash on hand maintained by various departments that do not represent available spendable resources.
- ❑ *Debt service* – to reflect the funds held by trustees or fiscal agents for the future payment of principal and interest on long-term liabilities. These funds are not available for general operations.
- ❑ *Endowment* – to reflect the portion of fund balance that is legally restricted in order to provide for investment earnings, which is used for programs in Tahoe City.

Property Taxes

The County's property taxes are levied July 1 (Unsecured Roll) and October 1 (Secured Roll) on assessed values established on the lien date of the previous January 1 for all taxable property located within the County. Local assessed values are determined, subject to appeal before the Assessment Appeals Board, by the County Assessor's Office. Locally assessed real property is appraised at the 1975-76 base year value and is adjusted each year after 1975 by the change in the California Consumer Price Index (CCPI) not to exceed an increase of 2% per year.

Property is reappraised from the 1975-76 base year value to current full value upon either (1) a change in ownership or (2) new construction, as of the date of such transaction or completion of construction (only the newly constructed portion of the property is reappraised). Thereafter, it continues to be increased annually by the change in the CCPI not to exceed 2%. The net asset value for the 2008-2009 fiscal year is \$58,081,948.

The County is permitted by Division 1, Part 0.5, Chapter 5.5, of the California Revenue and Taxation Code, to levy taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than payment of principal and interest on general obligation bonds or other indebtedness approved by voters. Taxes are allocated to local agencies and school districts as outlined in Chapter 6 of the California Revenue and Taxation Code. Counties, cities, and school districts may levy such additional tax rate as is necessary to provide for voter-approved debt service.

Taxes are due in one installment (Unsecured Roll) on billing and are subject to late payment penalties if paid after August 31, or two installments (Secured Roll) due November 1 and March 1, and again subject to late payment penalties if paid after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

In fiscal year 1993-94, the County adopted the Alternate Method of Property Tax Allocation (commonly referred to as the Teeter Plan). Under the Teeter Plan, the County Auditor-Controller, an elected official, is authorized to pay 100% of the property taxes billed (secured, supplemental, and debt service) to the taxing agencies within the County. The County recognizes property tax revenues in the period for which the taxes are levied. Previously, such taxes were allocated and paid as the taxes were collected. Property taxes are accrued as receivables in the period when they are levied.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Taxes on real estate, land and buildings are secured by liens on property being taxed.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Implementation of New Accounting Standard

Effective July 1, 2008, the County implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The County has included the related financial statement disclosures required by GASB Statement No. 49 in Note 7 and Note 11.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets		Statement of Fiduciary Net Assets		
	Primary Government	Component Unit	Investment Trust Fund	Agency Funds	Total
Cash and investments	\$ 494,507	\$ 11,741	\$ 560,199	\$ 21,773	\$ 1,088,220
Restricted cash and investments	<u>27,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,118</u>
Total cash and investments	<u>\$ 521,625</u>	<u>\$ 11,741</u>	<u>\$ 560,199</u>	<u>\$ 21,773</u>	<u>\$ 1,115,338</u>

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NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 1,602
Deposits with financial institutions	5,373
Investments	1,123,265
Less warrants payable	<u>(14,902)</u>
 Total cash and investments	 <u><u>\$ 1,115,338</u></u>

Authorized Investments

The table below identifies the investment types that are authorized by the County's investment policy and California Government Code Section 53601. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the County, rather than the general provisions of the County's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
U.S. Treasury Securities	5 years	100%	--	--
U.S. Agency Securities	5 years	75%	--	--
Local Agency Obligations	5 years	100%	5%	--
Bankers' Acceptances	180 days	30%	30%	--
Commercial Paper	270 days	40%	5%	A
Negotiable Certificates of Deposit	5 years	30%	10%	--
Repurchase Agreements	7 days	20%	20%	--
Corporate Notes	5 years	30%	10%	A
Collateralized Certificates of Deposit	5 years	20%	10%	--
Local Agency Investment Fund	1 year	\$40 million	--	--
CDARS Certificates of Deposit	5 years	30%	--	--

Other allowable investments pursuant to California Government Code Section 53601, although restricted by the County's investment policy, includes the following: mutual funds, mortgage and collateral-backed securities, asset-backed securities and reverse repurchase agreements.

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NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investments by Debt Agreements

The investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities	--	--	--
U.S. Agency Securities	--	--	--
Local Agency Obligations	--	--	--
Bankers' Acceptances	360 days	--	--
Commercial Paper	270 days	--	--
Negotiable Certificates of Deposit	360 days	--	--
Repurchase Agreements	--	--	--
Money Market Mutual Funds	--	--	--
Guaranteed Investment Contracts	--	--	--
Local Agency Investment Fund	--	--	--

The Placer County Treasurer's Pool (Pool) is not SEC-registered, but is invested in accordance with California State Government Code section 53600 et. seq. The Treasury Oversight Committee is charged with overseeing activity in the Pool for compliance to policy and code requirements. To this end, the Treasury Oversight Committee reviews the monthly investment report and causes a compliance audit of investments to occur annually. Certain special districts and all public school districts are required by legal provisions to deposit their funds with the County Treasurer. The Pool consists almost entirely of such districts and includes 94 percent involuntary participants at June 30, 2009.

In addition to the restrictions and guidelines of California Government Code, cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Treasury Oversight Committee and the Board of Supervisors annually. The objectives of the policy are, in order of priority, safety of principal, liquidity and yield. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law. The County Treasury did not violate the policies during the current year.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Treasurer mitigates this risk by ensuring sufficient liquidity to meet cash flow needs and only then investing in longer-term securities. The Treasurer uses the weighted average maturity method to identify and manage interest rate risk.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (i.e. broker-dealer) to a transaction, the County will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2009, the carrying amount of the County's cash deposits (including amounts in checking and nonnegotiable certificates of deposit) was \$5,373 and the bank balance was \$5,490. As of June 30, 2009, all of the County's investments were held by the County itself or by a broker-dealer (counterparty) other than the broker-dealer used by the County to purchase the securities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the amount of an investment in a single issuer. U.S. treasury and agency securities are considered to be of the best quality grade, as such there is no limitation on amounts invested in U.S. treasury or agency securities per California Government Code. Investments in any one issuer (other than U.S. treasury securities, money market mutual funds and external investment pools) that represent 5% or more of the total County investments are as follows:

Federal National Mortgage Association	\$ 310,022
Federal Home Loan Mortgage Corporation	179,302
Federal Farm Credit Bank	80,024

Credit Risk

Credit risk is the risk of loss due to an issuer of an investment not fulfilling its obligation to the holder of the investment. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The County Treasurer's policy permits investment in the debt of issuers with a short-term rating of *superior capacity* and a minimum long-term rating of *upper medium grade* by two of the three largest nationally recognized rating agencies. For short-term ratings, the issuers' rating must be at least A-1 and P-1, and long-term ratings must be at least A- and A3 by two of the three largest nationally recognized rating agencies. In addition, the County Treasurer is permitted to invest in the debt of the State of California Local Agency Investment Fund, collateralized certificates of deposits and bonds and notes issued by other California local agencies and the County that are not rated.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

As of June 30, 2009, the County's investments and credit ratings are as follows:

Investment Type	Credit Rating (Moody's/ Standard & Poor's)	Weighted Average Maturity	Fair Value
Investment in County Pool:			
U.S. Treasury Securities	Aaa/AAA	331 days	\$ 80,130
U.S. Agency Securities	Aaa/AAA	1,260 days	609,299
Commercial Paper	P1/A-1	7 days	39,997
Negotiable Certificates of Deposit	A1/P1+	42 days	20,000
Corporate Notes	Aaa/AAA - A1/A+	505 days	223,207
U.S. Treasury Bills	Aaa/AAA	57 days	9,974
Local Agency Bonds	Not rated	9,771 days*	32,656
Local Agency GO Bonds	Not rated	924 days	245
Lease Purchase Certificates	Not rated	2,476 days*	1,500
Rolling Repurchase Agreements	Not rated	1 day	97,936
Total Investments in County Pool			<u>1,114,944</u>
Restricted investments with fiscal agents:			
Money Market Mutual Funds	Not rated	1 day	<u>8,321</u>
Total Restricted investments with fiscal agents			<u>8,321</u>
Total Investments			<u>\$ 1,123,265</u>

*In accordance with California Government Code Section 53601, any investment with a maturity in excess of five years requires the express authorization of the County's Board of Supervisors. Pursuant to resolution by the Board of Supervisors on March 21, 2006, the County Treasurer purchased local agency bonds issued by the Middle Fork Project Finance Authority which mature in April 2036. Also, pursuant to resolution by the Board of Supervisors on April 9, 2009, the County Treasurer purchased Lease Purchase Certificates issued by the Placer County Public Financing Authority which mature in April 2016.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Treasury Investment Pool

Investments held in the County Pool are summarized as follows:

Investment	Par Value	Fair Value	Maturity Ranges	Interest Rate Ranges
U.S. Treasury Securities	\$ 80,000	\$ 80,130	7/31/09 - 4/30/13	0.88 - 4.63%
U.S. Agency Securities	608,973	609,299	4/30/10 - 6/30/14	1.10 - 5.05%
Corporate Notes	223,230	223,207	8/01/09 - 1/31/13	0.77 - 7.38%
Negotiable Certificates of Deposit	20,000	20,000	7/22/09 - 9/02/09	1.40 - 1.51%
Commercial Paper	40,000	39,997	7/8/09	0.40%
U.S. Treasury Bills	10,000	9,974	8/27/09	1.64%
Lease Purchase Certificates	1,500	1,500	4/11/16	2.48%
Local Agency GO Bonds	245	245	7/01/10 - 7/01/13	0.58 - 1.83%
Local Agency Bonds	32,656	32,656	4/1/36	5.28%
Rolling Repurchase Agreements	97,937	97,936	7/2/09	0.11 - 0.20%
Total Investments	<u>\$ 1,114,541</u>	<u>\$ 1,114,944</u>		

Condensed Financial Information

The Pool does not issue separate financial statements. Condensed financial information for the Pool as of and for the fiscal year ended June 30, 2009 is as follows:

Statement of net assets:

Net assets held for Pool participants	<u>\$ 1,121,115</u>
Equity of internal Pool participants	557,548
Equity of external Pool participants	<u>563,567</u>
Total equity	<u>\$ 1,121,115</u>

Statement of changes in net assets:

Net assets at July 1, 2008	\$ 1,196,410
Net change in net assets for Pool participants	<u>(75,295)</u>
Net assets at June 30, 2009	<u>\$ 1,121,115</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2009, for the County's major funds, nonmajor and internal service funds, in the aggregate, net of allowances for uncollectible amounts of \$441, are as follows:

Receivables - Governmental Activities:	Accounts	Interest	Notes	Due From Other Governments	Total
General Fund	\$ 2,813	\$ 997	\$ -	\$ 80,410	\$ 84,220
Public Safety	82	-	-	11,456	11,538
Road	1,936	314	-	4,576	6,826
Capital Improvements	340	169	-	-	509
Public Facilities Fees	119	709	-	-	828
Nonmajor Governmental Funds	2,215	113	6,907	807	10,042
Internal Service Funds	<u>800</u>	<u>227</u>	<u>-</u>	<u>10</u>	<u>1,037</u>
Net receivables	<u><u>\$ 8,305</u></u>	<u><u>\$ 2,529</u></u>	<u><u>\$ 6,907</u></u>	<u><u>\$ 97,259</u></u>	<u><u>\$ 115,000</u></u>

Receivables - Business-Type Activities:	Accounts	Interest	Due From Other Governments	Total
Transit	\$ 93	\$ -	\$ 1,009	\$ 1,102
Facilities	678	202	-	880
County Service Areas	43	-	-	43
Sewer Maintenance Districts	<u>115</u>	<u>136</u>	<u>-</u>	<u>251</u>
Net receivables	<u><u>\$ 929</u></u>	<u><u>\$ 338</u></u>	<u><u>\$ 1,009</u></u>	<u><u>\$ 2,276</u></u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 for the governmental activities and business-type activities are as follows:

	Balance July 1, 2008, as restated	Increases	Decreases	Transfers	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 55,907	\$ 12,752	\$ (650)	\$ 895	\$ 68,904
Construction in progress	94,663	45,315	(1,965)	(85,091)	52,922
Total capital assets not being depreciated	150,570	58,067	(2,615)	\$ (84,196)	121,826
Capital assets, being depreciated:					
Structures and improvements	127,648	48,864	-	65,641	242,153
Land improvements	-	231	-	2,112	2,343
Equipment	59,397	10,993	(3,218)	172	67,344
Infrastructure	240,759	15,165	(1,498)	16,148	270,574
Total capital assets, being depreciated	427,804	75,253	(4,716)	84,073	582,414
Less accumulated depreciation for:					
Structures and improvements	(27,325)	(4,410)	-	-	(31,735)
Land improvements	-	(93)	-	-	(93)
Equipment	(32,972)	(4,760)	3,011	(172)	(34,893)
Infrastructure	(155,026)	(6,926)	1,248	-	(160,704)
Total accumulated depreciation	(215,323)	(16,189)	4,259	(172)	(227,425)
Total capital assets being depreciated, net	212,481	59,064	(457)	83,901	354,989
Governmental activities, net	\$ 363,051	\$ 117,131	\$ (3,072)	\$ (295)	\$ 476,815

The County restated its beginning balance by \$4,459 as a result of an accounting error. It was discovered that the County and the Redevelopment Agency were recording construction in progress for the same capital project.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,398	\$ -	\$ -	\$ -	\$ 1,398
Construction in progress	2,690	2,627	-	-	5,317
Total capital assets not being depreciated	4,088	2,627	-	-	6,715
Capital assets, being depreciated:					
Structures and improvements	48,722	-	(988)	295	48,029
Equipment	8,645	374	(97)	(153)	8,769
Infrastructure	88,509	3,606	-	-	92,115
Total capital assets being depreciated	145,876	3,980	(1,085)	142	148,913
Less accumulated depreciation for:					
Structures and improvements	(29,301)	(975)	727	-	(29,549)
Equipment	(4,584)	(640)	97	153	(4,974)
Infrastructure	(28,103)	(1,363)	-	-	(29,466)
Total accumulated depreciation	(61,988)	(2,978)	824	153	(63,989)
Total capital assets being depreciated, net	83,888	1,002	(261)	153	84,924
Business-type activities, net	<u>\$ 87,976</u>	<u>\$ 3,629</u>	<u>\$ (261)</u>	<u>\$ 295</u>	<u>\$ 91,639</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,190
Public protection	2,730
Public assistance	56
Community development	169
Health and sanitation	355
Public ways and facilities	6,618
Recreation and cultural	1,019
Education	166
Capital assets held by the County Internal Service Funds are charged to various functions based on usage of the assets	1,886
Total depreciation expense - governmental activities	<u>\$ 16,189</u>

Business-type activities:

Public transit	\$ 717
Property management	294
Waste disposal	1,967
Total depreciation expense - business-type activities	<u>\$ 2,978</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables typically result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system or (3) payments between funds are made. As of June 30, 2009, the interfund receivables and payables are indicative of short-term cash flow borrowings. The following schedule briefly summarizes the amounts due to/from other funds at June 30, 2009:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 276
Nonmajor Governmental Funds	Nonmajor Governmental Funds	12
Total		<u>\$ 288</u>

Advances to and advances from other funds represent long-term loans made to support the County's housing and redevelopment, county service areas and special district activities. The following schedule briefly summarizes the amounts advanced to/from other funds at June 30, 2009:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 149
Capital Improvements	Nonmajor Governmental Funds	680
Sewer Maintenance Districts	County Service Areas	63
Internal Service Funds	County Service Areas	85
	Nonmajor Governmental Funds	272
		<u>357</u>
Total		<u>\$ 1,249</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Transfers are indicative of funding for capital projects, re-allocations of special revenues and subsidies of various County operations. The following schedule briefly summarizes the County's transfer activity for the fiscal year ended June 30, 2009:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Public Safety	\$ 74,363
	Road	3,785
	Capital Improvements	3,130
	Public Facilities Fees	13,341
	Nonmajor Governmental Funds	7,546
	Facilities	1,478
	County Service Areas	3,550
	Sewer Maintenance Districts	1,066
	Internal Service Funds	1,064
		<u>109,323</u>
Public Safety	Capital Improvements	1,724
	Internal Service Funds	51
		<u>1,775</u>
Road	General Fund	252
	Capital Improvements	250
	Public Facilities Fees	8,185
	Nonmajor Governmental Funds	55
	County Service Areas	48
	Sewer Maintenance Districts	2
	Internal Service Funds	15
		<u>8,807</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Improvements	Nonmajor Governmental Funds	633
Public Facilities Fees	Capital Improvements	5,070
	Nonmajor Governmental Funds	1,530
		6,600
Nonmajor Governmental Funds	General Fund	1,384
	Public Safety	39
	Road	3,026
	Capital Improvements	36,997
	Public Facilities Fees	4
	Nonmajor Governmental Funds	121
	Internal Service Funds	19
		41,590
Facilities	Capital Improvements	25
	Nonmajor Governmental Funds	334
		359
County Service Areas	Capital Improvements	560
Sewer Maintenance Districts	Capital Improvements	1,066
	Nonmajor Governmental Funds	125
		1,191
Internal Service Funds	General Fund	38
	Public Safety	8
	Capital Improvements	574
		620
Total Transfers		\$ 171,458

Interfund Transfers do not balance between governmental and proprietary funds as a result of a transfer of capital assets in the amount of \$273 from the internal service funds to governmental activities.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 6 – PAYABLES

Payables at year-end of the County's major funds, nonmajor and internal service funds, in the aggregate, are as follows:

Governmental activities:	Accounts Payable and Accrued Liabilities	Due to Other Governments	Deposits From Others	Total
General Fund	\$ 29,117	\$ 2,510	\$ 274	\$ 31,901
Public Safety Fund	6,638	-	23	6,661
Road	6,846	-	-	6,846
Capital Improvements	2,067	-	-	2,067
Other Governmental Funds	3,401	-	57	3,458
Internal Service Funds	2,163	-	10	2,173
Payables	<u>\$ 50,232</u>	<u>\$ 2,510</u>	<u>\$ 364</u>	<u>\$ 53,106</u>

Business-type activities:	Accounts Payable and Accrued Liabilities	Deposits From Others	Total
Transit	\$ 532	\$ -	\$ 532
Facilities	243	157	400
County Service Areas	336	10	346
Sewer Maintenance Districts	1,950	45	1,995
Payables	<u>\$ 3,061</u>	<u>\$ 212</u>	<u>\$ 3,273</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Certificates of Participation

A summary of certificates of participation outstanding for governmental activities as of June 30, 2009 is as follows:

<u>Purpose/Installments</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding as of June 30, 2009</u>
Refinancing of the Administration and Emergency Services Building, installments ranging from \$465 to \$910	4.00-4.50	06/01/06	06/01/24	\$ 11,770	\$ 10,325
Construction of Juvenile Detention Facility, installments ranging from \$110 to \$815	3.90-5.00	06/19/98	07/01/25	13,200	9,855
Purchase of the South Placer Justice Center Courthouse, installments ranging from \$1,200 to \$2,505	3.70-4.70	12/01/07	12/01/27	34,850	33,650
Total				<u>\$ 59,820</u>	<u>\$ 53,830</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for the certificates of participation:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 2,195	\$ 2,289
2011	2,275	2,200
2012	2,365	2,107
2013	2,460	2,011
2014	2,560	1,910
2015-2019	14,435	7,854
2020-2024	17,095	4,421
2025-2028	10,445	939
Total	<u>\$ 53,830</u>	<u>\$ 23,731</u>

Redevelopment Agency Loans Payable

During the fiscal year ended June 30, 2004, the Redevelopment Agency entered into a loan agreement with the California Housing Finance Agency (CHFA) in the amount of \$1,500 for the construction of multi-family housing. The loan has an interest rate of 3% per annum and matures on October 2, 2012. No repayment is due until the maturity date. The balance outstanding at June 30, 2009 is \$959.

During the fiscal year ended June 30, 2005, the Redevelopment Agency entered into a loan agreement with Wells Fargo Bank for \$500. The loan has an interest rate of 2% per annum and matures on September 7, 2009. No principal repayment is due until five years after the maturity date. During the fiscal year ended June 30, 2007, the Redevelopment Agency entered into a 2nd loan agreement with Wells Fargo Bank in the amount of \$600. The loan has an interest rate of 2.00% per annum and matures on May 8, 2012. No principal repayment is due until the maturity date. The proceeds were applied to the purchase of 8774-8776 North Lake Boulevard in Kings Beach, a property which is part of an environmental cleanup project. The balance outstanding at June 30, 2009 for both Wells Fargo loans is \$1,100.

During the fiscal year ended June 30, 2006, the Redevelopment Agency entered into a loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) in the amount of \$312. The loan has an interest rate of 3.05% per annum and matures on August 1, 2034. The proceeds were used for the construction of the Brook Avenue parking lot. The balance outstanding at June 30, 2009 is \$291. The Redevelopment Agency entered into a 2nd loan agreement with the CIEDB in the amount of \$1,500, to be used as partial financing of the Auburn Plaza Project, in the North Auburn Project Area. This loan has an interest rate of 2.94% and matures on August 1, 2035. The balance outstanding at June 30, 2009 is \$1,465. On September 1, 2007 the Agency entered into a 3rd loan agreement with the CIEDB in the amount of \$480. The loan has an interest rate of 2.91% and matures on September 1, 2037. Loan proceeds were used for the Minnow Avenue Parking Lot Project in Kings Beach, which was completed on October 17, 2007. The balance outstanding at June 30, 2009 is \$480.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

The CIEDB loans are secured by total taxes eligible for allocation to the Agency with respect to the Project Areas pursuant to the most recent completed fiscal year including gross tax increment revenues and all deductions for payment to the Redevelopment Agency Low and Moderate Income Housing Fund and pass-through payments. The proceeds received from the CIEDB loans were used for the Brook Avenue parking lot, Minnow Avenue parking lot, and Auburn Plaza projects. The pledge of tax increment revenues totals \$3,252 which equals the total principal and interest payments outstanding on the loan, and ends upon the repayment of the outstanding loans in September 2037. For the year ended June 30, 2009, principal and interest paid and total property tax increment revenues were \$110 and \$8,026 respectively.

Redevelopment Agency Bonds Payable

On July 20, 2006, the Redevelopment Agency issued three separate issues of tax allocation bonds, which include the North Lake Tahoe Redevelopment Project, 2006 Series A in the principal amount of \$15,765, the North Auburn Redevelopment Project, Series B in the principal amount of \$3,520, and Housing Projects, Series C, in the principal amount of \$5,865. Interest rates range from 3.6% to 6.2%. Semi-annual interest payments are due on February 1 and August 1. Principal payments are due August 1. Proceeds from the sale of the bonds are being used to finance the redevelopment activities within and for the benefit of the North Lake Tahoe and North Auburn redevelopment project areas and to finance low and moderate income housing activities of the Redevelopment Agency. Principal and interest payments are payable solely from and secured by a pledge of property tax increment revenue.

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund for the repayment of the 2006 Series A and 2006 Series B Tax Allocation Bonds. The Agency has pledged all future tax revenues required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund for the repayment of the 2006 Series C Tax Allocation Bonds. Series A, B, and C Tax Allocation Bonds are considered senior parity obligations. The pledge of future tax increment revenues ends upon repayment of principal and interest in the amount of \$44,825 in 2037. For the year ended June 30, 2009, principal and interest paid and total property tax increment revenues were \$1,613 and \$8,026 respectively.

Redevelopment Agency Notes Payable

On November 4, 2008, the Agency took possession on a North Auburn property through foreclosure and assumed responsibility for the repayment of a first trust deed in the amount of \$409 that had also been defaulted on by the borrower. On December 23, 2008, the note was repaid and the property subsequently fully conveyed to the Agency.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Redevelopment Agency Pollution Remediation Obligation

The Redevelopment Agency is obligated to the environmental assessment and remediation activities at two former gas stations located at 8797 North Lake Blvd. and 8784 North Lake Blvd in Kings Beach. Total estimated pollution remediation costs of these projects total \$186 as of June 30, 2009. Accordingly, the County's beginning net assets have been restated to reflect the estimated pollution remediation liability as of July 1, 2008 (refer to Note 16 to the basic financial statements for additional information regarding this restatement).

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for the Redevelopment Agency:

Year Ending June 30,	Loans Payable		Tax Allocation Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 55	\$ 87	\$ 450	\$ 1,169
2011	56	85	465	1,149
2012	658	84	485	1,129
2013	1,018	309	505	1,108
2014	61	68	530	1,085
2015-2019	835	265	2,980	5,052
2020-2024	387	210	3,735	4,281
2025-2029	447	148	4,725	3,262
2030-2034	517	77	6,035	1,925
2035-2037	261	10	4,410	345
	<u>\$ 4,295</u>	<u>\$ 1,343</u>	<u>\$ 24,320</u>	<u>\$ 20,505</u>

Securitization Loan Payable

In accordance with GASB Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, the Gold Country Settlement Funding Corporation (the Corporation) has been included in the basic financial statements as a blended component unit of the County. The Corporation initially borrowed from the California County Tobacco Securitization Agency (the Securitization Agency) the proceeds of the Series 2002 Tobacco Settlement Asset-Backed Bonds (Series 2002 Bonds) issued by the Securitization Agency for \$41,590. During the fiscal year ended June 30, 2006, the Securitization Agency issued \$59,372 in Series 2006 Tobacco Settlement Asset-Backed Bonds (Series 2006 Bonds), with interest rates ranging from 5.25% to 5.83%, the proceeds of which were used to advance refund the Series 2002 Bonds. The Series 2006 Bonds are serviced by future tobacco settlement revenues made by participating cigarette manufacturers. The pledge of future tobacco settlement revenues ends upon repayment of principal and interest in the amount of \$207,048 in 2037. For the fiscal year ended June 30, 2009, principal and interest paid and tobacco settlement revenues were \$3,873 and \$3,036, respectively. The Securitization Agency bonds mature in June 2046.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Securitization Loan Payable (Continued)

In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Securitization debt, neither the Securitization Agency, or the County, nor the Corporation has any liability to make up any such shortfall.

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for the Corporation's loan payable. Debt service requirements are based on various assumptions, including the timing of tobacco settlement revenues. Future principal payments are unknown due to the fluctuation of revenues derived from tobacco consumption. Higher consumption would lead to additional revenues which would be used for additional debt payments once original debt service requirements are met. Consequently, lower consumption would lead to less revenue available for additional debt payments. The loan is subject to mandatory redemption prior to the stated maturity dates based on amounts available in the Turbo Redemption Account on June 1 and December 1.

Year Ending June 30,	Governmental Activities		
	Principal	Fixed Interest	Accreted Interest
2010	\$ 282	\$ 2,435	\$ 752
2011	287	2,458	895
2012	686	2,645	948
2013	672	2,695	1,004
2014	653	2,743	1,063
2015-2019	3,043	14,522	6,335
2020-2024	3,385	17,002	8,444
2025-2029	2,879	18,512	11,255
2030-2034	4,096	17,918	22,757
2035-2039	13,840	9,500	-
2040-2044	19,345	5,193	-
2045-2046	8,296	508	-
Total	<u>\$ 57,464</u>	<u>\$ 96,131</u>	<u>\$ 53,453</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

A summary of changes in long-term liabilities for governmental activities is as follows:

	<u>Balance July 1, 2008, as restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Compensated absences	\$ 15,049	\$ 15,928	\$ (14,900)	\$ 16,077	\$ 1,608
Self insurance liability (Note 12)	23,188	4,640	(5,417)	22,411	7,096
Capital lease obligations (Note 8)	934	1,524	(468)	1,990	504
Certificates of participation	55,960	-	(2,130)	53,830	2,195
Original issuance discount	(19)	-	1	(18)	-
Deferred amount on refunding	(295)	-	19	(276)	-
Securitization loan	58,942	-	(1,478)	57,464	282
Accreted interest	1,304	-	(552)	752	-
Original issuance discount	(1,386)	-	36	(1,350)	-
Deferred amount on refunding	(1,633)	-	55	(1,578)	-
Redevelopment agency Loans payable	4,337	409	(451)	4,295	55
Accrued interest due at maturity	117	28	-	145	-
Redevelopment agency Bonds payable	24,745	-	(425)	24,320	450
Original issuance discount	(92)	-	3	(89)	-
Redevelopment agency Pollution remediation obligation	186	-	-	186	83
Total	<u>\$ 181,337</u>	<u>\$ 22,529</u>	<u>\$ (25,707)</u>	<u>\$ 178,159</u>	<u>\$ 12,273</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Prior Year Defeasance

Certificates of Participation

On May 17, 2006, the Financing Authority, a blended component unit of the County, issued \$11,770 of Certificates of Participation – 2006 Administrative and Emergency Services Building Refinancing Project with interest rates ranging from 4.00% - 4.50%. The net proceeds after payment of issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Certificates of Participation. As a result, the 1997 Certificates of Participation are considered to be defeased and the related liability has been removed from the government-wide statement of net assets. As of June 30, 2009, \$10,325 of the 1997 Certificates of Participation was outstanding.

On June 1, 1998, the County issued \$13,200 in Certificates of Participation with an average interest rate of 4.7% to finance the cost of constructing a juvenile detention facility and to advance refund \$4,430 of outstanding 1994 Certificates of Participation with an average interest rate of 6.6%. Proceeds from the 1998 Certificates of Participation were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Certificates of Participation. As a result, the 1994 Certificates of Participation are considered defeased and the related liability is not reported in the government-wide statement of net assets. As of June 30, 2009, \$3,205 of the 1994 Certificates of Participation was outstanding.

Securitization Loan

On May 19, 2006 the Securitization Agency issued \$59,372 of Series 2006 Bonds for the purpose of loaning bond proceeds to the Corporation to securitize eight additional years of tobacco settlement receipts by advance refunding the Series 2002 Bonds issued by the Agency for the benefit of the Corporation. The net proceeds less interest and issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2002 Bonds; and the remaining proceeds were loaned to the Corporation by the Securitization Agency under an amended and restated loan agreement to fund various capital projects occurring within the County. As a result, the Series 2002 Bonds are considered to be defeased and the related liability has been removed from the government-wide statement of net assets. As of June 30, 2009, \$36,520 of the Series 2002 Bonds was outstanding.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities

A summary of bonds outstanding for business-type activities as of June 30, 2009 is as follows:

<u>Purpose/Installments</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding as of June 30, 2009</u>
Finance closure and post closure costs at Eastern Regional Landfill, installments ranging from \$205 to \$375	3.70-5.00	07/01/97	06/01/12	\$ 4,170	\$ 1,070

Revenue Bonds Payable

The County has pledged future landfill tipping fee revenues, net of specified operating expenses, to repay \$4,170 in revenue bonds issued in July 1997. Proceeds from the bonds provided financing for the closure and post closure costs at Eastern Regional Landfill. The bonds are payable solely from landfill fees and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net revenues. Total principal and interest outstanding as of June 30, 2009 is \$1,179. Principal and interest paid for the current fiscal year and total customer net revenues were \$394 and \$779, respectively.

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for the outstanding bonds:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 340	\$ 53
2011	355	37
2012	375	19
Total	<u>\$ 1,070</u>	<u>\$ 109</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

A summary of changes in long-term debt in business-type activities is as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
1976 sewer and water bonds payable	\$ 8	\$ -	\$ (8)	\$ -	\$ -
1997 revenue bonds payable	1,395	-	(325)	1,070	340
Landfill postclosure liability (Note 13)	4,739	-	(76)	4,663	91
Compensated absences	268	259	(261)	266	26
Total	\$ 6,410	\$ 259	\$ (670)	\$ 5,999	\$ 457

Special Assessment Debt

The total matured and unmatured bonds outstanding related to special assessment debt is \$20,055 as of June 30, 2009. The County acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The County is not liable for repayment of the special assessment debt, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable are reported in an Agency Fund.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current fiscal year, the County performed calculations of excess investment earnings on various bonds and financings and, at June 30, 2009, does not expect to incur a liability.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 8 – LEASE OBLIGATIONS

Capital Leases

The County has entered into lease agreements as the lessee for financing the acquisition of administrative buildings, fire trucks, helicopters, construction equipment and vehicles. The related assets and obligations have been recorded using the County's incremental borrowing rate at the inception of leases. The leases expire at various dates through 2010-2016.

On April 9, 2009 a lease purchase certificate in the amount of \$1,500 was issued by the Placer County Public Financing Authority and was purchased by the County Treasurer to finance a portion of the helicopter acquisition. The lease purchase certificate is facilitated by a lease purchase agreement with the Placer County Public Finance Authority.

Capital assets and accumulated depreciation held under capital leases are as follows:

	Governmental Activities
Equipment	\$ 2,901
Less accumulated depreciation	(530)
Net capital assets	<u>\$ 2,371</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Year Ending June 30,	Governmental Activities
2010	\$ 566
2011	387
2012	273
2013	236
2014	236
2015-2016	472
Total minimum lease payments	<u>2,170</u>
Less amount representing interest	(180)
Total	<u>\$ 1,990</u>

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 8 – LEASE OBLIGATIONS (Continued)

Operating Leases

The County leases real estate and equipment under cancelable and noncancelable operating leases. The Redevelopment Agency, a component unit of the County, leases real estate under noncancelable operating lease for the operation of the Jackpine Public Parking lot. Future minimum rental payments under operating leases with initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009 are summarized as follows:

Year Ending June 30,	County	Redevelopment Agency
2010	\$ 3,338	\$ 45
2011	2,217	46
2012	2,082	47
2013	1,565	49
2014	1,456	50
2015-2019	4,520	269
2020-2024	803	305
2025-2029	-	345
2030-2034	-	390
2035	-	84
Total	<u>\$ 15,981</u>	<u>\$ 1,630</u>

Rents for all such leases for the County have been recorded in the General Fund. Rents for the Redevelopment Agency's operating lease have been recorded in the Redevelopment Agency Economic Development Capital Projects Fund. Total rental expenditures under County and Redevelopment Agency operating leases for the fiscal year ended June 30, 2009 were \$2,833 and \$44, respectively.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 9 – EMPLOYEES’ RETIREMENT PLAN

Plan Description

All full and part-time permanent County employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are eligible to participate in the California Public Employees Retirement System (CalPERS). Elected officials may also participate at their option. Per diem employees and extra help employees working less than 1,000 hours in a fiscal year are excluded. Benefits vest after five years of service. To be eligible for retirement an employee must be at least 50 years of age and have five years of CalPERS credited service.

Safety employees who retire at age 50 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of their average monthly pay rate for the last consecutive 12 months of employment, for each year of credited service up to a maximum of 30 years or 90%.

Miscellaneous employees who retire at age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their average monthly pay rate for the last consecutive 12 months of employment. CalPERS also provides death and disability benefits to plan members and beneficiaries. These benefit provisions and all other requirements are prescribed by a contract between the County and CalPERS.

The County contributes to CalPERS, an agent multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The County’s Safety and Miscellaneous Plans are part of the Public Agency portion of CalPERS. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. Copies of CalPERS’ annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229

Funding Policy

Employees under the Miscellaneous Plan are required to contribute 8% and employees under the Safety Plan are required to contribute 9% of their annual covered salary. The County is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2009, the employer contribution rate was 14.370% for the Miscellaneous Plan and 25.622% for the Safety Plan.

The County, as part of its compensation to employees pays the full 9% for most Safety members, excluding correctional officers wherein the County pays 6.5% of the required 9%. For most Miscellaneous members, the County pays 7% of the 8% required contribution, excluding welfare fraud investigators wherein the County pays the full 8% of the contribution.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Annual Pension Cost

For the fiscal year ended June 30, 2009, the County's annual pension cost of \$39,070 for CalPERS was equal to the County's required and actual contributions. The required contribution for the fiscal year ended June 30, 2009 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with contributions determined as a percentage of covered payroll. The actuarial assumptions included the following for both the Miscellaneous and Safety Plan, (a) a rate of return on investments (net of administrative expenses) of 7.75%, (b) inflation of 3.0%, and (c) projected salary increases of 3.25% to 14.45% for the Miscellaneous Plan and 3.25% to 13.15% for the Safety Plan depending on age, service and type of employment and d) payroll growth of 3.25%. The actuarial value of the Plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen (15) year period. The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining period for the Miscellaneous Plan and the Safety Plan at June 30, 2006 was 22 years and 30 years, respectively.

Three-Year Trend Information

Fiscal Year-End	Miscellaneous Plan		Safety Plan	
	Annual Pension Cost (APC)	Percentage of APC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed
2007	\$ 25,136	100%	\$ 8,964	100%
2008	27,664	100%	10,143	100%
2009	28,319	100%	10,751	100%

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the Miscellaneous Plan was 81.1% funded. The actuarial accrued liability for benefits was \$667,935, and the actuarial value of assets was \$541,577, resulting in an unfunded actuarial accrued liability (UAAL) of \$126,358. The covered payroll (annual payroll of active employees covered by the plan) was \$145,372, and the ratio of the UAAL to the covered payroll was 86.9%.

As of June 30, 2008, the most recent actuarial valuation date, the Safety Plan was 74.9% funded. The actuarial accrued liability for benefits was \$217,716, and the actuarial value of assets was \$163,096, resulting in an unfunded actuarial accrued liability (UAAL) of \$54,621. The covered payroll (annual payroll of active employees covered by the plan) was \$30,531, and the ratio of the UAAL to the covered payroll was 178.9%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note 9, the County provides postretirement healthcare benefits to its retirees under its Retiree Healthcare Plan in accordance with various labor agreements. The County contributes to the California Employers' Retiree Benefit Trust (CERBT), an agent multiple employer plan administered by CalPERS. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

Eligibility

In accordance with California Government Code, all employees electing a CalPERS retirement date within 120 days of retiring from the County are eligible to receive healthcare benefits for life. The County of Placer provides postretirement medical and dental benefits to employees who retire directly from the County after attaining age 50 and with five years of County service and ten years of CalPERS service if hired after January 1, 2005. Eligible retirees can continue participation in the medical and dental plans, with the County contributing up to a cap, which varies by bargaining unit. Membership of the plan consisted of the following at June 30, 2009, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,207
Terminated plan members entitled to but not yet receiving benefits	263
Active plan members	<u>2,500</u>
Total	<u><u>3,970</u></u>

Funding Policy

In accordance with County negotiated employee benefits, retired employees may elect to apply up to eight hours of accrued sick leave toward one month's healthcare coverage. As of June 30, 2009, 310 employees had made this election. The County's contribution is equal to current employee hourly rates at the classification last held before retirement. Expenditures for postretirement healthcare benefits are recognized as monthly premiums are paid and are financed on a pay-as-you-go basis, with additional amounts contributed to prefund benefits as determined annually. During the fiscal year, expenditures of \$18,161 were recognized for postretirement healthcare benefits.

COUNTY OF PLACER, CALIFORNIA
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NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Asset

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB asset:

Annual required contribution	\$ 26,762
Interest on net OPEB asset	(673)
Adjustment to annual required contribution	753
Annual OPEB cost (expense)	26,842
Contributions made	(18,161)
Decrease in net OPEB obligation	8,681
Net OPEB asset - beginning of year	(8,681)
Net OPEB asset - end of year	\$ -

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2009 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/08	\$ 25,920	132%	\$ (8,681)
6/30/09	26,842	68%	-

Since the County implemented GASB Statement No. 45, during the 2007/08 fiscal year, information regarding the County's annual OPEB cost, percentage of annual OPEB cost contributed and net OPEB asset is only available for the past 2 years.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Dollars in Thousands)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Progress

As of June 30, 2009, the most recent valuation date, the plan was 14.6 percent funded. The actuarial accrued liability for benefits was \$248,439, and the actuarial value of assets was \$36,383, resulting in an unfunded actuarial accrued liability (UAAL) of \$212,056. The covered payroll (annual payroll of active employees covered by the plan) was \$159,786, and the ratio of the UAAL to the covered payroll was 132.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

In the County's June 30, 2009 actuarial valuation, the actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions include a 7.75% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of approximately 10% percent initially, reduced by decrements of approximately 1% per year to an ultimate rate of 4.5% in the tenth year. Both rates included a 3% inflation assumption and assumed the County's payroll will increase 3.25% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 28 years.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Dollars in Thousands)

NOTE 11 – CONTINGENT LIABILITIES

Litigation

The County is a defendant in a number of lawsuits and has other claims pending, some of which seek substantial monetary damages. Some claims may not be covered under the County's excess liability insurance policy; however, management is of the opinion that the potential liability would not have a significant adverse effect on the County's financial position.

Grant Programs

The County participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. Some audits of these programs for or including the fiscal year ended June 30, 2009 have not been concluded. Accordingly, the County's compliance with applicable grant requirements is yet to be established. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County's management does not expect such amounts, if any, to be material.

Pollution Remediation

The County may be obligated to perform remediation activities related to two projects. The nature and source of pollutants on the former Lincoln Missile Site located off Highway 193 in Lincoln are contaminated groundwater due to concentrations of TCE (trichlorine-ethanol). The County is still evaluating the potential exposure and is currently in negotiations with the U.S. Army Corps of Engineers to share in the cost of any remediation efforts. In addition, the Regional Water Quality Control Board discovered some surface lead contamination resulting from a pistol range that was previously on the former Lincoln Missile Site. The County is still working to determine the cost of any remediation efforts.

NOTE 12 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The Self Insurance Internal Service Fund accounts for and finances the County's risks of loss. Under these programs, the County is self-insured for the following risks up to the deductible amount per claim as follows: Workers' Compensation, \$300 and General Liability, \$1,000. The County purchases commercial insurance for claims in excess of the preceding coverage amounts and for all other risks of loss.

The County is a participant in the California State Association of Counties - Excess Insurance Authority (CSAC-EIA) excess liability insurance program. The County covers the first \$1,000 per claim for General Liability and \$300 per claim for Workers' Compensation. The purpose of the pool is to spread the adverse effects of losses among the member agencies. The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Should actual losses among participants be greater than anticipated, the County will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the County will be refunded its pro rata share of the excess. Self-insurance retention (SIR) covers claims between \$1,000 and \$35,000. Settled claims have not exceeded this SIR coverage in any of the past three fiscal years.

COUNTY OF PLACER, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – RISK MANAGEMENT (Continued)

The County's Transit Enterprise Fund is self-insured for public liability and property damage up to \$250 per occurrence. Claims in excess of \$250 are insured through the California Transit Systems Joint Powers Insurance Authority (CaTIP), a joint powers agency risk sharing pool, established in 1987 to provide an independently managed self-insurance program for member transit operators. The purpose of CaTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. Claims in excess of the pool limit are covered by excess insurance purchased by CaTIP up to \$20,000 per occurrence. The Transit Enterprise Fund has not settled any claims exceeding the risk-pool limit of \$250 per occurrence for any of the past three fiscal years. The Transit Enterprise Fund has the following forms of coverage through CaTIP: bodily injury liability, property damage liability; public officials error and omissions liability; personal injury liability and collision and comprehensive coverage.

All County funds participate in the self-insurance programs and make payments to the Self Insurance Internal Service Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims (including future claim adjustment expenses), and to allow accrual of estimated incurred but not reported claims. The total historical cost and/or actuarially determined claims liability at June 30, 2009 is \$22,411 consisting of \$11,617 for Workers Compensation, and \$10,794 for General Liability. Changes in the Self Insurance Fund claims liabilities during the fiscal years ended June 30, 2009 and 2008 were as follows:

	Claims Liability July 1	Current Year Claims and Changes in Estimates	Current Year Claims Payments	Balance June 30
2007-2008	\$ 23,852	\$ 4,989	\$ (5,653)	\$ 23,188
2008-2009	23,188	4,640	(5,417)	22,411

The claims liabilities above, reported in the Self Insurance Internal Service Fund at June 30, 2009, are based on requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 30, *Risk Financing Omnibus*, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These accruals represent estimates of amounts to be paid for reported claims, and incurred but unreported claims based upon past experience, modified for current trends and information based upon an 85% confidence level. The County contracts with independent actuaries to compute the estimated liabilities for the County's self-insurance programs. The liability for unpaid claims for workers' compensation and general liability is discounted to reflect estimated net present value assuming a 3.0% interest rate. While the ultimate losses incurred through June 30, 2009 are dependent on future developments, based upon information provided by the County's Risk Management Department and others involved with the administration of these programs, the County's management believes that the aggregate accrual is adequate to cover such losses.

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**NOTE 13 - COUNTY SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE
CARE COST**

The County accounts for solid waste landfill postclosure costs based on the provisions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and federal laws and regulations require the County to place a final cover on its Eastern Regional landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County closed the landfill during the 1995-1996 fiscal year. The landfill postclosure care liability of \$4,663 at June 30, 2009, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity at the landfill. Actual costs may be higher due to change in estimated inflation, deflation, changes in technology, or changes in applicable laws and regulations. The County is required by state and federal regulations to make deposits to its postclosure maintenance fund to finance postclosure care costs. The County has restricted cash and investments for the payment of postclosure care costs in the amount of \$394 as of June 30, 2009.

NOTE 14 - JOINT VENTURE

The County, in conjunction with the City of Roseville and the South Placer Municipal Utility District, has formed the South Placer Wastewater Authority (the Authority) on October 1, 2000 to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities (Facilities). The County's ongoing financial responsibility is for the payment of their proportionate share of the operational and maintenance costs of the Facilities. The County does not have any equity interest in the Authority and, as of June 30, 2009, the County does not expect any additional financial benefit or financial burden from the Authority. The Authority had a deficit fund equity as of June 30, 2008 of \$23.3 million (information at June 30, 2009 was not yet available at the time of the County's publication). Complete audited financial statements for the South Placer Wastewater Authority can be obtained from the Authority's offices at 2005 Hilltop Circle, Roseville, CA 95747.

On January 10, 2006, the County and the Placer County Water Agency (Water Agency) pursuant to a joint exercise of powers agreement formed the Middle Fork Project Finance Authority (Middle Fork Authority). The Middle Fork Authority was established to serve the mutual interests of the County and the Water Agency, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and other costs that may be required in order for the Water Agency to obtain a new Federal Energy Regulatory Commission license, which is set to expire in February 2013, to continue operating the Middle Fork Hydroelectric Project (MFP). Currently, the Water Agency operates the MFP pursuant to the provisions of an existing power purchase contract with PG&E, which is set to expire March 1, 2013. The Middle Fork Authority is governed by a 4 member board of directors. The board of directors is comprised of 2 members who are appointed by the County Board of Supervisors and 2 members who are appointed by the Board of Directors of the Water Agency.

The County has an ongoing financial interest in the Middle Fork Authority. However, until the expiration of the PG&E contract, there is no equity interest in the joint venture. In March 2013, at the expiration of the current power purchase contract with PG&E, the Middle Fork Authority will assume the role of fulfilling the obligations of the County and the Water Agency to approve any future electrical energy sales or contract and to approve the expenditure of funds received from the sale of electrical energy from the MFP. The County will be entitled to an equal distribution of the revenue from the energy sales after the Middle Fork Authority's funding of the basic operations and maintenance of the MFP and any capital additions or betterments to the MFP. Complete audited financial statements for the Middle Fork Authority can be obtained from the Water Agency's offices at 144 Ferguson Road, Auburn, CA 95604.

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NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The County, in conjunction with Alpine, El Dorado, Nevada and Sierra counties, has created the Golden Sierra Job Training Agency, the purpose of which is to develop and implement a public and private employer's job training program under which local employment needs and goals will be determined and training and employment programs will be planned, developed, and administered. The Golden Sierra Job Training Agency is funded through grants by the federal and state governments. The County has no equity interest in Golden Sierra Job Training Agency and no ongoing financial responsibility.

The County, in conjunction with the Cities of Roseville, Rocklin, and Lincoln, has formed Western Placer Waste Management Authority, the purpose of which is to acquire, own, operate and maintain a sanitary landfill site and all related improvements. The County has no equity interest in Western Placer Waste Management Authority and no ongoing financial responsibility.

The County is a participant with the counties of Nevada, Sutter, Yolo and Yuba to develop and operate Sierra-Sacramento Valley Emergency Medical Services Agency (the Agency). The Agency was developed to coordinate the provision of emergency medical services and to conduct various other specifically designated functions. The County has no equity interest in the Agency and no ongoing financial responsibility.

NOTE 16 – RESTATEMENT OF FUND BALANCE/NET ASSETS

During the fiscal year ended June 30, 2008, the County implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. It was discovered during the fiscal year ending June 30, 2009 that this new standard was not properly implemented as the County double-recorded the liability, with a corresponding offset to long-term receivable. Accordingly, the beginning fund balances have been restated in the Tobacco Securitization Capital Projects Fund and the Gold Country Settlement Debt Service Fund in the amounts of \$56,404 and \$(56,404), respectively, for a net overall impact to fund balance of zero for the County's governmental funds and governmental activities in total.

The County has also restated its beginning net assets for governmental activities by \$4,645. In accordance with GASB Statement No. 49, the County has restated its beginning net assets by \$186, to recognize the Redevelopment Agency's estimated pollution remediation obligation as of July 1, 2008. In addition, it was discovered that the County and the Redevelopment Agency were recording construction in progress for the same capital project. Accordingly, the County restated its beginning net assets by \$4,459 to correct this accounting error.

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NOTE 17 – SUBSEQUENT EVENTS

The State of California recently adopted a revised budget for FY 09-10 to close the budget gap of approximately \$24,000,000. Some of the significant impacts for the County are:

- ❑ A reduction in property tax allocations to the County and its special districts by an amount equivalent to 8% of the prior year property tax revenue. This shift in revenue is approximately \$11,121 for the County General Fund and \$4,216 for its special districts. The legislation provides for repayment of these funds by June 30, 2013 and outlines financing mechanisms to securitize the State's repayment obligation through State bond or local financing in order to avoid a current year loss of revenue to the County and its special districts.
- ❑ On July 29, 2009 the Governor approved Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Redevelopment Agency's share of this revenue shift is approximately \$3,190 in fiscal year 2009-2010 and \$657 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. The Redevelopment Agency can use any available funds to make the SERAF payment, however, any Housing Funds borrowed to make the May 10, 2010 payment must be repaid by June 30, 2015. In response to AB 26 4x, the Redevelopment Agency intends to make 71% of the payments from the North Tahoe Plan Area's and 29% from the Sunset Industrial Area's 80% gross allocation of Tax Increment.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Redevelopment Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

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NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS

The County has been and continues to analyze its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

- In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes standards of accounting for assets that lack physical substance, are nonfinancial in nature, and have initial useful life beyond a single reporting period. This statement is effective for the County's fiscal year ending June 30, 2010.
- In February 2009, GASB issued Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds. This Statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. This statement is effective for the County's fiscal year ending June 30, 2011.